

DEMOCRATIC DECENTRALISATION AND GOOD GOVERNANCE: THE
POLITICAL ECONOMY OF PROCUREMENT REFORM IN DECENTRALISED
INDONESIA

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Abstract

Democratic decentralization in Indonesia has produced mixed outcomes vis-a-vis good governance at the local level since it was implemented in the late 1990s/early 2000s. Scholars such as Robison and Hadiz (2004), Hadiz (2010), and Hadiz and Robison (2013) have argued that predatory forces nurtured under the New Order have exercised a powerful enduring negative influence over local governance, undermining reform efforts. However, other scholars have argued that the influence of these forces has been ameliorated to some extent by incentives created by democratisation for local elites to promote populist policies. Where local elites have sought to win or maintain power by mobilising popular support, these scholars have argued, governance outcomes have been better than in regions where local elites have sought to win or maintain power through money politics or the cultivation of elite networks.

This dissertation contributes to the analysis of democratic decentralisation and its effects on the quality of local governance in Indonesia by examining the case of procurement reform. Procurement has historically been a major source of corruption in Indonesia, making reform of procurement systems a crucial battleground in the struggle for better governance. This battle has been played out at both the national and local levels. In contrast with existing analyses of democratic decentralisation, this dissertation argues that the extent of procurement reform at the local level has depended on the degree to which progressive civil society has been able to challenge predatory elites, energise potential reformist local leaders and public officials supportive of governance reform, and in so doing create a political landscape conducive to such reform.

To support this argument, this dissertation examines the political economy of procurement reform in two autonomous municipalities in Indonesia: Surabaya and

Bogor City. In Surabaya, it is argued, progressive activists, particularly non-government organizations (NGOs), university academics, and local media, have successfully challenged the political dominance of New Order-era predatory elites and energized reform-minded leaders and bureaucrats, creating an environment in which the latter could adopt and roll out wide-ranging procurement reforms that have served to promote significantly more accountable, transparent and cleaner procurement practices. By contrast, in Bogor, predatory elites with their origins in the previous regime have continued to control the local government. There has been no significant challenge from pro-democratic forces, as they have been underdeveloped, fragmented, and financially dependent upon local government. Together with new political and business actors who have inserted themselves into networks of corruption and influence, they have accordingly captured local government projects. Procurement reform has been limited, facilitating corrupt and collusive practices.

This dissertation concludes by suggesting that analysts of local politics and governance in Indonesia and other developing countries should consider the roles of a wider array of actors beyond predatory and populist elites. It also delivers a strong message to the proponents of democratic decentralization that the presence of organized pro-democratic forces can limit the prevalence of elite capture and ensure that democratic decentralization meets its intended outcomes, particularly in terms of improving local governance.

Declaration

I certify that this work contains no material which has been accepted for the award of any other degree or diploma in my name, in any university or other tertiary institution and, to the best of my knowledge and belief, contains no material previously published or written by another person, except where due reference has been made in the text. In addition, I certify that no part of this work will, in the future, be used in a submission in my name, for any other degree or diploma in any university or other tertiary institution without the prior approval of the University of Adelaide and where applicable, any partner institution responsible for the joint-award of this degree. I give consent to this copy of my thesis, when deposited in the University Library, being made available for loan and photocopying, subject to the provisions of the Copyright Act 1968.

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Date: 20 December 2017

Mochamad Mustafa 

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Abbreviations

ADB	Asian Development Bank
APBD	<i>Anggaran Pendapatan dan Belanja Daerah</i> - Local Government Budget
APEKSI	<i>Asosiasi Pemerintah Kota Seluruh Indonesia</i> - Indonesian City Governments Association
ARDIN	<i>Asosiasi Rekanan Dagang Indonesia</i> - Association of Supplier Associations
ASPEKINDO	<i>Asosiasi Pengusaha Konstruksi Indonesia</i> - Indonesian Construction Businesses Association
Bappeda	<i>Badan Perencanaan Pembangunan Daerah</i> - Regional Development Planning Bureau
Bawasda	<i>Badan Pengawas Daerah</i> - Regional Supervisory Agency
BPK	<i>Badan Pemeriksa Keuangan</i> - Supreme Audit Bureau
BPKP	<i>Badan Pemeriksa Keuangan dan Pembangunan</i> - Financial and Development Audit Bureau
BPS	<i>Badan Pusat Statistik</i> - Centre Bureau of Statistics
CPI	Corruption Perception Index
CSR	Corporate Social Responsibility
CSO	Civil Society Organisation
DPRD	<i>Dewan Perwakilan Rakyat Daerah</i> – Regional House of Representatives
DPS	Development Program Section
EBA	European Business Assembly

EPS	Electronic Procurement Services
ESC	Environmentally Sustainable City
GAPENSI	Gabungan Pelaksana Konstruksi Nasional Indonesia - the Indonesian National Constructor Association
Gerindra	<i>Gerakan Indonesia Raya</i> - Great Indonesia Movement Party
Golkar	<i>Golongan Karya</i> - Party of the Functional Groups
GRDP	Gross Regional Domestic Product
GRMS	Government Resource Management System
GRS	<i>Gerakan Rakyat Surabaya</i> - Surabaya Citizen Movement
HANURA	<i>Hati Nurani Rakyat</i> - Citizen Conscience Party
HDI	Human Development Index
HMI	<i>Himpunan Mahasiswa Islam</i> - Muslim Students Association
ICLEI	International Council for Local Environmental Initiatives
IDR	Indonesian Rupiah
IDSa	Indonesian Digital Society Award
IGRA	Indonesian Green Region Award
INGOs	International Non-Government Organizations
INKINDO	<i>Ikatan Nasional Konsultan Indonesia</i> - National Association of Indonesian Consultants
IPB	<i>Institut Pertanian Bogor</i> - Bogor Agricultural University
IPW	Indonesian Procurement Watch
ITS	<i>Institut Teknologi Sepuluh Nopember</i> - 10 November Institute of Technology
Jabodetabekjur	Jakarta, Bogor, Bekasi, Tangerang and Cianjur
Jabotabek	Jakarta, Bogor, Bekasi and Tangerang

JPIP	Jawa Pos Institute of Pro-Otonomi
JPNN	Jawa Pos News Network
KADIN	<i>Kamar Dagang Indonesia</i> - Indonesian Chamber of Commerce
KAMMI	<i>Kesatuan Aksi Mahasiswa Muslim Indonesia</i> - The Unity of Indonesian Muslim Students Action
Keppres	<i>Keputusan Presiden</i> - Presidential Decree
KORP-H	<i>Koalisi Rakyat Penegak Supremasi Hukum</i> - Citizens' Coalition for the Supremacy of Law
KPK	<i>Komisi Pemberantasan Korupsi</i> – National Corruption Eradication Commission
KPPOD	<i>Komite Pemantauan Pelaksanaan Otonomi Daerah</i> - Monitoring Committee for the Implementation of Regional Autonomy
KPUD	<i>Komisi Pemilihan Umum Daerah</i> - Regional General Election Commission
LBH	<i>Lembaga Bantuan Hukum</i> - Legal Aid Foundation
LDMS	Local Development Monitoring Section
LKPP	<i>Lembaga Kebijakan Pengadaan Barang Jasa Pemerintah</i> - National Procurement Policy Agency
LPJK	<i>Lembaga Pelayanan Jasa Konstruksi</i> - Construction Service Industry Board
MoHA	Ministry of Home Affairs
MoU	Memorandum of Understanding
NGO	Non-Government Organization
NPPA	National Procurement Policy Agency

PAD	<i>Pendapatan Asli Daerah</i> - Locally Generated Revenue
PAN	<i>Partai Amanat Nasional</i> - National Mandate Party
PBB	<i>Partai Bulan Bintang</i> - Crescent and Star Party
PBTI	<i>Partai Bhinneka Tunggal Ika Indonesia</i> - Unity in Diversity Party
PD	<i>Partai Demokrat</i> - Democrat Party
PDAM	<i>Perusahaan Daerah Air Minum</i> - local government-owned water company
PDIP	<i>Partai Demokrasi Indonesia Perjuangan</i> - Indonesian Democratic Party of Struggle
PD PPJ	<i>Perusahaan Daerah Pasar Pasar Pakuan Jaya</i> - local stated-owned public markets company
PDS	<i>Partai Damai Sejahtera</i> - Prosperous Peace Party
Perpres	<i>Peraturan Presiden</i> - Presidential Regulation
PFM	Public Financial Management
PK	<i>Partai Keadilan</i> - Justice Party
PKB	<i>Partai Kebangkitan Bangsa</i> - National Awakening Party
PKNU	<i>Partai Kebangkitan Nasional Ulama</i> - Ulama National Awakening Party
PKP	<i>Partai Keadilan dan Persatuan</i> - Justice and Unity Party
PKS	<i>Partai Keadilan Sejahtera</i> - Prosperous Justice Party
PMII	<i>Persatuan Mahasiswa Islam Indonesia</i> - Indonesian Muslim Students Unity
PNI	<i>Partai Nasional Indonesia</i> - Indonesian Nationalist Party

PP	<i>Partai Persatuan</i> - Unity Party
PPKPBJP	<i>Pusat Pengembangan Kebijakan Pengadaan Barang/Jasa Publik</i> – Center for Public Procurement Policy Development
PPP	<i>Partai Persatuan Pembangunan</i> - United Development Party
PSU	Procurement Service Unit
PT	<i>Perseroan Terbatas</i> - Incorporated company
PTUN	<i>Peradilan Tata Usaha Negara</i> - State Administrative Court
PUDI	<i>Partai Uni-Demokrat</i> Indonesia - Indonesian Uni-Democrat Party
PWKS	<i>Paguyuban Warga Stren Kali</i> – Strenkali riverbank dwellers association
Satpol PP	<i>Satuan Polisi Pamong Praja</i> - civil service police unit
SCFM	Surya Cakra Frequency Modulation – a local radio station in Surabaya
SePS	Surabaya e-Procurement System
SPSE	<i>Sistem Pengadaan Secara Elektronik</i> - Electronic Procurement System
SVC	Street Vendor Cooperation
TAP MPR	<i>Ketetapan Majelis Permusyawaratan Rakyat</i> - Decree of Peoples Consultative Assembly
TII	Transparency International – Indonesia
Ubaya	<i>Universitas Surabaya</i> - The University of Surabaya
Unair	<i>Universitas Airlangga</i> - The University of Airlangga
VOC	<i>Vereenigde Oost-Indische Compagnie</i> - Dutch East India Company

Walhi

Wahana Lingkungan Hidup - The Indonesian Forum for the
Environment